

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

November 14, 2005

8:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:30 a.m., Monday, November 14, 2005, in the Nebraska Retirement Systems Board Room at Embassy Suites, Lincoln, Nebraska.

The Board members were notified of this meeting by letter dated November 4, 2005. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday November 7, 2005. Mr. Peters chaired the meeting and Ms. Linder recorded the minutes.

MEMBERS PRESENT:

CHARLES PETERS, CHAIR
JULIA MOELLER, VICE-CHAIR
DENIS BLANK
WILLIAM HASTINGS
ROGER REA
DALE KAHLA
MARK SHEPARD
GLENN ELWELL
CAROL KONTOR, EX-OFFICIO

NONMEMBERS PRESENT:

ANNA SULLIVAN
Director
GAIL WERNER-ROBERTSON
Nebraska Investment Council
JOHN MAGINN
Nebraska Investment Council
RON ROSS
Nebraska Investment Council
EARL SCUDDER
Nebraska Investment Council
JOHN MADDUX
Nebraska Investment Council
DR. RICHARD DeFUSCO
Nebraska Investment Council
BRIAN BIRNBAUM
Ennis Knupp & Associates

SATYA KUMAR
Ennis Knupp & Associates
LYN HEATON
DAS – Deputy State Budget Administrator
MIKE DULANEY
NCSA
DAVE SLISHINSKY
Buck Consultants
MICHELLE DeLANGE
Buck Consultants
BEN MATTERN
Ameritas
HERB SCHIMEK
Nebraska State Education Assoc.
PAUL O'HARA
Judges Lobbyist

BILL MUELLER
Nebraska District Court Judges Assoc.
FRANK MILLS
Retired Teachers
HOWARD KENSINGER
Nebraska Supreme Court
NICK PADEN
Nebraska State Troopers Association
KORBY GILBERTSON
Nebraska State Troopers Association
JUSTIN BRADY
Nebraska State Troopers Association
MIKE MUELLER
Cline Williams Law Firm
CATHY SCHAPMANN
Nebraska State Education Assoc.
JOE SCHAEFER
Legal Counsel
JAN FOX
Training Supervisor
KATHY TENOPIR
Legislative Fiscal Office
MARY JOCHIM
Sterling Financial Advisors

PAT REDDING
State Auditor's Office
PAT SCHAFFER
Governor's Policy Research
CINDY JANSSEN
State Auditor's Office
BOB KUHN
Retired School Personnel
JOHN BONAIUTO
Nebraska Assoc. of School Boards
JASON HAYES
Legislative Retirement Counsel
MARTHA STODDARD
Omaha World Herald
NANCY HICKS
Lincoln Journal Star
RANDY GERKE
Accounting and Finance Manager
TERESA ZULAUF
Internal Auditor
JANE HANSEN
Retirement Plan Supervisor
SHEILA LINDER
Administrative Assistant

Agenda Items 1 and 2 - Meeting Called to Order: Chairperson Peters called the November 14, 2005, Board Meeting to order at 8:35 a.m. Present at roll call: C. Peters, J. Moeller, D. Blank, W. Hastings, R. Rea, D. Kahla, Mark Shepard, and Glenn Elwell. Absent: C. Kontor. Ms. Kontor is attending the NIC Meeting this morning and will join the Board during the Joint Session.

Agenda Item 3 - Approval of Minutes: Judge Hastings moved that the minutes of the October 17, 2005, Board Meeting be approved. Motion was seconded by Ms. Moeller. Members voted as follows: For: J. Moeller, D. Blank, W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, and C. Peters. Against: None. Motion carried.

Agenda Item 4 - Approval of Budget Status Report & October Retirement Report: Ms. Moeller moved to approve the budget status report and the October Retirement Report. Motion was seconded by Mr. Rea. Members voted as follows: For: D. Blank, W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, C. Peters, and J. Moeller. Against: None. Motion carried.

Agenda Items 5 & 6 - Executive Session: At 8:38 a.m., Mr. Rea moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing disability applications from plan members, Recordkeeping Contract, Farrand Benefit, and an Update

on the pending Attorney General's Opinion Request. The motion was seconded by Sgt. Elwell. Members voted as follows: For: W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, C. Peters, J. Moeller, and D. Blank. Against: None. Motion carried.

At 9:22 a.m., Ms. Moeller moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by Mr. Kahla. Members voted as follows: For: R. Rea, D. Kahla, M. Shepard, G. Elwell, C. Peters, J. Moeller, D. Blank, and W. Hastings. Against: None. Motion carried.

Mr. Kahla moved for approval of the disability applications of J. Bang, N. Vogt, and M. Lubischer. Ms. Moeller seconded the motion. Members voted as follows: For: D. Kahla, M. Shepard, G. Elwell, C. Peters, J. Moeller, D. Blank, W. Hastings, and R. Rea. Against: None. Motion carried.

Mr. Rea moved that the Farrand benefit be recalculated using the final 36 months of salary where it is clear that the payments were made for a full month's worth of work.

Mr. Mike Mueller, attorney for L. Farrand, the surviving spouse of Mr. Farrand was invited to address the Board. He stated they have applied for recalculation of Mrs. Farrand's benefit. He has prepared a methodology and asked that it be adopted. Additionally, given that Ms. Farrand's benefit should have begun in March of 2004, but did not begin until August of 2005, regular interest should be added to those monthly benefits when they have been redetermined. The Board made no reply to Mr. Mueller's comments.

Members voted on the motion as follows: For: M. Shepard, G. Elwell, C. Peters, J. Moeller, D. Blank, W. Hastings, R. Rea, and D. Kahla. Against: None. Motion carried.

Agenda Item No. 7 - Board Policy No. 15 – Board Per Diem: Mr. Schaefer reviewed the draft Policy No. 15, which addresses per diem questions that have been raised in the past. It sets forth the instances when Board members are eligible to be paid a per diem. It also allows the Board members to waive receiving a per diem by putting the request in writing.

Mr. Rea stated one reason for the per diem is to provide immunity as a state employee and asked if declining the per diem affected that. Mr. Schaefer stated that it does not. The "Request for Per Diem Compensation" form was also discussed. This form is needed for requests for other than attending Board Meetings. The policy will be revised to indicate that the form only needs to be used for meetings, etc., other than Board Meetings. Ms. Moeller moved to recommend that Policy No. 15 be approved as amended. Sgt. Elwell seconded the motion. Ms. Sullivan noted the policy indicates that the per diem will only be paid for Board approved events. Members voted on the motion as follows: For: G. Elwell, C. Peters, J. Moeller, D. Blank, W. Hastings, R. Rea, D. Kahla, and M. Shepard. Against: None. Motion carried.

Agenda Item No. 8 - IT Report to Legislature: A copy of the draft IT report, which is due December 2 to the Appropriations Committee, was provided to the Board members. A committee meeting is not expected at this time. Ms. Sullivan will be adding statistical changes to page 11 that are not included at this time.

Mr. Rea moved that the Technology Update Report be approved and shared with the Appropriations Committee with the addition of statistical changes on page 11 of the report. Mr. Blank seconded the motion. Members voted as follows: For: C. Peters, J. Moeller, D. Blank, W. Hastings, R. Rea, D. Kahla, M. Shepard, and G. Elwell. Against: None. Motion carried.

The Board took a break at 9:39 a.m. and reconvened at 9:48 a.m.

Agenda Item No. 9 - Actuarial Valuation Results: Mr. Slishinsky and Ms. DeLange reviewed the Actuarial Valuation Results for the School, State Patrol, and Judges plans.

The conclusions outlined in the report are attached for the School, State Patrol, and Judges plans.

Mr. Rea moved to approve the actuarial reports for the defined benefit plans. Mr. Kahla seconded the motion. Members voted as follows: For: J. Moeller, D. Blank, W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, and C. Peters. Against: None. Motion carried.

Agenda Item No. 10 - Director's Report: Ms. Sullivan reported work has continued on the Recordkeeping Request for Proposal (RFP). A draft of the RFP was sent to Ms. Moeller and Mr. Blank as well as the DAS purchasing division. Ms. Sullivan has had discussions with Mr. Hayes regarding the work being done on cleanup legislation. The Legislative Study Hearings are scheduled for December 1st. There has been some discussion regarding the State and County audit points. Ms. Sullivan has visited with Senator Stuhr and Mr. Hayes regarding what possibilities are available.

The Internal Auditor and Auditor Associate will be testing to ensure proper enrollment in the plans. One of the items Mr. Gerke and staff have been working on is the new state tax withholding law. Work is continuing on our disaster recovery plan. We are also collecting web statistics. Education Services has added a Retirement 101 mini-seminar for any state agency that is interested in having it presented. The new School retirement plan booklet has been completed.

Ms. Sullivan received a request to speak in April of 2006 at the National Public Employees Retiree Fund Summit in Florida on our experience here in Nebraska. Ms. Sullivan requested approval to attend. Ms. Moeller moved for approval of Ms. Sullivan's travel request. Mr. Rea seconded the motion. Members voted as follows: For: D. Blank, W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, C. Peters, and J. Moeller. Against: None. Motion carried.

Agenda Item No. 11 - Chairperson's Comments: Mr. Peters stated he wrote a letter that went into the IT report because of the misunderstanding on how far the agency has come the last few years. He stated that the agency should take pride in what has been done.

Agenda Item No. 12 - Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

The Board took a break at 11:50 a.m.

Agenda Item No. 14 - Joint Meeting with the Nebraska Investment Council: The Board reconvened at 12:36 p.m. The NIC council members and NPERS Board members introduced themselves.

Mr. Slishinsky provided a brief presentation of the actuarial reports provided at the meeting this morning. He also provided information regarding the State and County Cash Balance Plan.

Brian Birnbaum from Ennis Knupp presented the Investment Performance Report.

Following the two presentations, Ms. Kontor asked for comments from Mr. Slishinsky and Mr. Birnbaum regarding the investment return assumption used by the Board and the Council.

Future Meeting: The next meeting will be held on Monday, December 19, 2005, in the TierOne Community Meeting Room at 1221 N Street.

Adjournment: The Joint Meeting adjourned at 2:27 p.m.

Anna J. Sullivan
Director